IRPP Policy Matters

Democracy and Economic Development
David Gillies

Democracy and Peace-Building
Jane Boulden

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IRPP

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Editor's Note 4

Democracy and Economic Development
David Gillies

Summary 8

Résumé 9

An Imagined Dystopia: Economic Decay in a Difficult Development Partnership 11

Democracy and the Market: A Brief Survey of Donor Policy and Empirical Research 12

No Ironclad Laws: The Ambiguous Research Linking Democracy and Economic Growth 19

Some Implications for Donor Development Assistance Policies and Programs 23

Notes 26

References 26

Democracy and Peace-Building
Jane Boulden

Summary 29

Résumé 30

Introduction 31

The Theory 32

The Connection between Democracy and Peace at the United Nations 37

Conclusions 44

Notes 47

References 47

George Perlin

Editor's Note

Over the past 20 years the promotion of democracy has become an increasingly important element in Canadian foreign policy. This is reflected in particular in the growing expenditure on technical assistance to encourage democratic development. The papers in this volume are part of the IRPP's International Democratic Development research program, which assesses Canada's policies and programs in delivering this kind of assistance (for an excellent review of the evolution of Canadian democracy promotion policies, see Gerald Schmitz's earlier paper in this series). The objectives of the project are to establish how Canada can contribute most effectively to the collective international effort to assist democratic development and to determine best practices for delivery of Canadian assistance.

An active democracy-promotion program raises critical questions about the right of one state to intervene in the internal governance of another. For that reason there has been considerable debate about the grounds on which it can be justified. The two papers presented here deal with the justifications that arguably have the greatest claim to legitimacy.

The first paper, by David Gillies, addresses what might be called the "normal case"— interventions that have been used by donors of economic assistance to underdeveloped countries to try to improve the effectiveness of their assistance. These have become routine elements of most donors' foreign aid policies. While good governance has been what Dr. Gillies calls "the master value" organizing this form of intervention, it has become increasingly coupled with the broader concept of "democratic development." This has occurred gradually and continues to be contentious. Dr. Gillies explains the evolution of donors' thinking about the relationship between economic assistance and "political development," identifies the issues in the debate about this relationship and discusses the relationship's implications for donor policy and programs.

The second paper, by Jane Boulden, deals with interventions that have been more exceptional in both their frequency and consequences. These have involved some form of military engagement and the more or less complete reconstruction of systems of government. In the first instance in the 1980s they evolved from the limited concept of the international community's responsibility to end or prevent conflict through peacekeeping into the broader concept of peace-building — the promotion of conditions that would reduce the likelihood of the occurrence or recurrence of conflict. More recently, this justification has evolved into what might be called a doctrine of the right or responsibility of the international community to intervene in failed or failing states, either in the

interests of preventing a humanitarian crisis or reducing potential threats to the security of other states. Beyond the fundamental principle involved (that is, the question of when the international community would be justified in undertaking such radical interventions), Dr. Boulden points out that there are important questions to be asked about the democratic reforms that should be incorporated into peace-building policies, and how democratic-development strategies should be included in these policies.

An understanding of the issues raised in these two papers is central to the discussion of the role that democracy promotion should play in Canada's foreign policy. They therefore provide a context for other papers in the series, which explore both the nature and methods of delivery of Canadian assistance to democratic development.

George Perlin
April 2005

Democracy and Economic Development

David Gillies

Summary

Among the reasons sometimes made for promoting democracy abroad is the claim that accountable and open political systems that respect human rights, practise the rule of law and formulate policy through informed choice are more likely than other systems of government to develop into dynamic, market-oriented economies.

As David Gillies illustrates through an imagined development dystopia, while political institutions can influence economic performance for better or worse, the relationships among political system, policy choice and economic performance are often more complex than the claims of some democracy-promotion boosters.

In this paper, Gillies reviews the reasons why aid donors have taken up rights, democracy and governance promotion, surveys research that questions the causal link between democracy and growth, and underlines the quality of governance as a significant influence on economic performance.

Gillies surveys the addition of political considerations in development aid policy, showing how initial World Bank acknowledgement that a crisis of governance was at the root of African underdevelopment prompted bilateral donors to incorporate human rights, democratization and good governance as part-and-parcel of the development puzzle. For some official aid agencies, governance has become the master political variable. Gillies then reviews the empirical research that examines whether there is a virtuous circle in which democracy and growth go together, a cruel trade-off between democracy and growth, or simply no convincing relationship. The evidence suggests that there is no iron law or unambiguous causality linking democracy to high economic performance. The evidence from some East Asian and South East Asian economies shows that regime type may sometimes be a poor predictor of economic performance, and that effective governance is possible without democracy. Nevertheless, democracy appears to have an indirect influence on growth through its positive impact on some of the determinants of economic development, such as education, human capital formation, inflation, investment, and income inequality.

If the relationship between democracy and economic performance is indirect at best, donors may need to shift from an "all good things go together" approach to less lofty ambitions that focus on such enabling conditions for growth as promoting economic accountability and transparency, and a predictable set of rules to govern economic interactions and public policy. Without a strong empirical basis linking democracy to economic growth, international donors may need to look to other kinds of claims, such as foreign policy values, to promote the intrinsic worth of liberal democratic values.

Résumé

Parmi les motifs invoqués pour faire la promotion de la démocratie à l'étranger, on affirme parfois qu'un système politique qui repose sur la transparence et la responsabilité, ainsi que sur le respect des droits de la personne et de la primauté du droit, et qui privilégie en même temps la formulation des politiques en fonction de choix éclairés, est mieux à même que les autres systèmes de gouvernement de favoriser le développement d'une économie de marché dynamique.

Comme le montre l'auteur au moyen d'une dystopie imaginaire du développement, s'il est vrai que les institutions politiques peuvent avoir sur la performance d'une économie une influence favorable ou défavorable, les rapports entre le régime politique, les choix stratégiques et le rendement économique sont souvent plus complexes que ne le croient certains champions des idéaux démocratiques.

L'auteur passe en revue les arguments auxquels font appel les donateurs d'aide pour expliquer pourquoi ils ont choisi de promouvoir les droits, la démocratie et la bonne gouvernance. Il examine également les rapports de recherche qui remettent en question les liens de cause à effet entre démocratie et croissance, et souligne l'importance que revêt la qualité de la gouvernance comme facteur contribuant au rendement de l'économie.

David Gillies se penche en outre sur la place qu'occupent les considérations politiques dans la formulation de l'aide au développement. Il montre que les donateurs bilatéraux ont décidé d'intégrer les droits de la personne, la démocratisation et la bonne gouvernance parmi les objectifs du développement après que la Banque mondiale eut déclaré qu'une crise de gouvernance était à l'origine du sous-développement en Afrique. Aux yeux de certains organismes d'aide publique, la gouvernance est d'ailleurs devenue la variable politique centrale.

Gillies examine ensuite les résultats de travaux empiriques consacrés aux liens entre la démocratie et la croissance. Existe-t-il un cercle vertueux qui fait que les deux vont main dans la main ? Faut-il plutôt faire un choix cruel entre elles ? Ou bien doit-on plutôt conclure qu'il n'y a entre démocratie et croissance économique aucun lien probant ? Les résultats des études indiquent qu'il n'y a aucune loi d'airain ni aucun lien de causalité indiscutable entre la démocratie et la prospérité. En particulier, l'expérience de l'Asie de l'Est et du Sud-Est montre que la nature du régime politique d'un pays ne peut servir à prédire la performance de son économie et qu'il est possible de gouverner efficacement un État non démocratique. La démocratie semble néanmoins avoir un effet indirect sur la croissance en raison de son impact positif sur certains éléments essentiels au développement économique, l'instruction, la formation de capital humain, l'inflation, les investissements et les inégalités de revenu en particulier.

Si les liens entre la démocratie et la performance économique sont tout au plus indirects, les donateurs devraient peut-être abandonner l'approche ultra-idéaliste (« tous les bons objectifs s'appuient réciproquement ») en faveur d'ambitions moins transcendantes portant sur les conditions propres à favoriser la croissance, par exemple en encourageant la responsabilité économique et la transparence, ainsi que la mise en place d'un ensemble de règles prévisibles régissant les interactions économiques et la politique publique. En l'absence d'un lien empirique étroit entre démocratie et croissance économique, les donateurs internationaux devront peut-être se tourner vers d'autres éléments, telles les valeurs rattachées à la politique étrangère, pour faire valoir les mérites intrinsèques des principes de la démocratie libérale.

An Imagined Dystopia: Economic Decay in a Difficult Development Partnership

The local representatives of the global financial institutions and assorted liberal democracies sped out to a secluded lodge on the outskirts of the city to ponder the radical policy shifts of Izania's president. Just a few years earlier, development aid and experts of every stripe poured into this sleepy former colonial outpost. With an enlightened and popular leader, economic policies in tune with the Washington consensus and a well-educated and disciplined labour force, the Izania of the 1990s saw steady economic growth, significant foreign direct investment and a flourishing export of gold, silver and platinum with growing regional markets for its wheat, maize, coffee and tea. The country's courts and police were relatively independent, there was a vigorous press and a dizzying variety of community groups found shelter beneath the mighty ruling party. There were even regular elections, although the outcome was never in doubt, and world opinion glossed over the intimidation meted out by party loyalists to the forces of dissent and reaction. In this idyll of political stability, donors worked hand-in-glove with the competent administration to modernize railways, road systems, and energy grids and fund a cornucopia of aid projects to build sustainable livelihoods in the rural heartlands loyal to the ruling elite.

But today the policy certainties that once made Izania a good place to do business no longer exist, replaced by ideological fervour, political instability and profound policy change. Dissent has swept away the complacent assumptions of a benevolent autocracy. Threatened by calls for constitutional reform and an alliance among civil society, organized labour and the urban opposition, the ruling party purged its reformist wing, circled its wagons and returned to the ideological roots of its pre-independence liberation struggle. The opposition was quickly linked to colonial forces. The uneasy contract with settler capital was broken, and the private farms that had underpinned Izania's wealth were forcibly expropriated. With property rights under attack, the rule of law quickly crumbled. The police turned a blind eye to the farm seizures, and the courts legitimized the erosion of property rights. Armed militias roamed the countryside and the city slums, and expatriate farmers, the leaders of NGOs, journalists, trade unionists and the urban poor were targets of merciless attacks.

The impact on the economy was immediate and unrelenting. Investment trickled to a halt, and, desperate to shore up its support, the government printed money to finance subsidies on food and gas. The exchange rate was kept artificially high, while a parallel market became the hub of the economy and weekly

signalled the catastrophic depreciation of the Izanian dollar. Inflation soared to 500 percent, and the economy shrank by 20 percent. Interest rates were negative, and saving funds were rendered worthless by a government that needed low interest rates to repay debts arising from its out-of-control borrowing. In the countryside, production ground to a halt, and donors handed out food to stave off hunger. Parliament, the press and the few remaining pressure groups were singularly ineffective in engaging the ruling party on the causes of the downturn or the need for policy reform.

All this had happened in just 18 months. Sitting poolside, the donor representatives worried that the window for dialogue and policy change was fast closing. In its place was a new brinkmanship in which the donor democracies had cut government-to-government aid to protest the growing illiberalism of Izania's faltering democracy and had fallen back on the drip feed of humanitarian assistance to salve their collective conscience. In turn, Izania's rulers used donor conditionalities as proof of foreign meddling and appealed to the country's regional neighbours to help them stand firm against these foes of liberation and national sovereignty.

Democracy and the Market: A Brief Survey of Donor Policy and Empirical Research

Izania's imagined dystopia captures some of the complex relationships among political systems, policy choice and economic performance. The causal arrow linking political system to economic performance is not a direct one. Izania has a democratic facade: opposition parties are legal; elections are held; Parliament, the courts and the independent press still function. However, these institutions are gravely weakened and economic policy is now being determined by fiat rather than political debate and informed choice.

The relationship between democracy and economic growth has preoccupied thinkers since the seventeenth century. Three main views have emerged: there are those who see a virtuous circle in which democracy and growth go together; those who see a cruel trade-off; and those who find no convincing relationship between democracy and growth (Kurzman, Werum and Burkhart 2002; Przeworski et al. 2000). These views are no longer simply a source of scholarly debate. The spread of democratic values and market economics, and the violent backlash against these forces of globalization, put the relationship between political systems and economic performance near the forefront of international rela-

tions. Moreover, international development agencies now make bold claims linking democracy with growth to justify programs of political aid and good governance that intrude on the domestic jurisdiction and national sovereignty of recipient countries. A variety of instrumental and normative motives underpin this shift in donor thinking and practice.

By the 1990s, the World Bank and other international development institutions began to acknowledge the role of political variables in determining the outcomes of economic reforms and economic development assistance. The OECD's Development Assistance Committee saw a "vital connection between open, democratic and accountable political systems, individual rights, and the effective and equitable operation of economic systems" (OECD 1989). Aid was once thought to be the catalyst of growth, and prosperity the genesis of democracy. By the 1990s, development theorists and donor agencies were beginning to argue that political openness and respect for human rights must accompany, not lag behind, economic growth.

Theorists such as Amartya Sen and annual surveys such as the UNDP Human Development Report have helped build an international consensus that the purpose of development is the expansion of human capacity and choice. As the individual was gradually returned to the centre of the development stage, it became less tenable to speak of "generations of rights" in which civil liberties and political rights could be postponed until basic human needs had been met.

Civil and political rights such as access to information and a free press have real instrumental value for aid donors because they can help uncover the inefficiencies of corruption or inept governance. A free press acts as an essential early-warning device against impending famine, for instance, by ensuring that there is public debate and prompt state action. Several famines — notably in China in 1958-61 and in the Sudan and Ethiopia in 1984 — have occurred under authoritarian regimes that allow little free expression or public debate of state policies.

Donors now recognize that the fostering of democratic processes in government and society contributes to economic development by releasing creative energies, enhancing accountability and deepening participation. The consensus among aid donors on the importance of human rights and democratic pluralism in economic development has led to the growth of a new kind of development assistance. The human rights agenda is served by projects to strengthen the voice and institutional capacity of nongovernmental organizations — anything from paralegal-service providers to lobby groups, labour movements, media organizations or human rights monitors. The governance agenda is even broader and can cover the spectrum of administrative, legal and, increasingly, security sector reform. A sample of any leading donor's project portfolio could

reveal projects to strengthen the rule of law, reform the civil service, curb corruption, strengthen an election commission, modernize a police force, improve a line ministry's financial management and so on.

International development agencies added a democracy and governance dimension to their programs based in part on values such as pluralism and respect for human rights. For some donors, promoting governance and democracy is closely linked to their national role conceptions. For Canada, the link is to the long-standing domestic values of respect for diversity and pluralism, and to "peace, order and good government." For the United States, "the idea of democracy is closely linked to the national identity" and its history as "a shining beacon to individuals and families seeking personal freedoms" (USAID 2003).

Alongside normative interests, most donors also acknowledge more instrumental motives underpinning their democracy and governance promotion activities. These can range from foreign policy interests to efficiency and effectiveness arguments to ensure a return on aid investments. USAID, for example, is clear that "the strategic and long-term domestic and foreign policy objectives of the United States are best served by enlarging the community of democratic nations worldwide" (2003).

The invention or, more accurately, the discovery of today's good governance agenda stems from the failures of the World Bank's economic reform and structural adjustment programs in Africa. With its landmark 1989 study entitled *Sub-Saharan Africa: From Crisis to Sustainable Growth*, the World Bank acknowledged a political dimension to economic development and recognized governance as the independent variable explaining Africa's underdevelopment:

> *Underlying the litany of Africa's development problems is a crisis of governance. By governance is meant the exercise of political power to manage a nation's affairs. Because countervailing power has been lacking, state officials in many countries have served their [own] interests, without fear of being called to account...and patronage becomes essential to maintain power. The leadership assumes broad discretionary power and loses its legitimacy. Information is controlled and voluntary associations are co-opted or disbanded. This environment cannot support a dynamic economy. At worst, the state becomes coercive or arbitrary. These trends, however, can be resisted [by building] a pluralistic institutional structure, [respecting] the rule of law, and vigorous protection of the freedom of the press and human rights. (1989, 60-1)*

The World Bank has applied governance criteria in China after Tiananmen Square, in the former Zaire and, more recently, in Zimbabwe to suspend or

downgrade its operations. However, the bank's charter of strict neutrality has required a careful distinction between the form of the political system and the quality of governance. In this narrower reading, effective public sector management and sound overall development management are criteria for good governance rather than civil and political rights per se, or the openness of the political system (Gillies 1997; 1993). In this reading, the rule of law is not an end in itself but is important to the extent that it contributes to economic development. A predictable set of rules is essential to reduce business risks, enforce contracts, lower transaction costs and prevent arbitrary decisions by the state. One important exception in the bank's overall avoidance of the rights agenda is the issue of property rights, which are defended as an axiom of a functioning market economy.

The European Bank for Reconstruction and Development (EBRD) is the single exception to the general rule that multilateral financial institutions avoid political considerations in making lending decisions. Article 1 of the EBRD charter states that "in contributing to economic progress and reconstruction, the purpose of the Bank shall be to foster the transition towards open, market-oriented economies and to promote private entrepreneurial initiatives in the Central and Eastern European countries committed to applying the principles of multi-party democracy, pluralism and market economics." Contributing international instruments that inform the bank's political considerations include the Helsinki Accords, the Organization for Security and Cooperation in Europe and the European Convention on Human Rights. EBRD views the big-bang expansion of the European Union from 15 to 25 member states as a vindication of its contribution to democracy, economic development and regional integration. In constructing annual country strategies, the EBRD looks at explicitly political indicators to determine the degree to which countries are meeting the charter requirements for multiparty democracy, respect for human rights and the rule of law. Specific criteria used in the annual survey include: free elections; executive accountability to an elected legislature; judicial independence; freedom of speech, association and assembly; freedom of movement, conscience and religion; and the right to private property.

Where EBRD recipient country policies are inconsistent with the charter principles, paragraph 3, article 8 of the charter allows the board of governors flexibility in formulating the bank's response. In cases of fraudulent elections, corruption or unwillingness to implement reforms, EBRD is able to postpone or suspend operations, as it did in Turkmenistan, or caution heads of state about noncompliance with EBRD requirements, as it did in Belarus in 2001.

While the World Bank was the architect of the governance agenda, it was the bilateral donors and multilateral institutions such as the United Nations and

the Commonwealth that more explicitly linked governance to the wider agendas of democratic pluralism and human rights. In 1990, the US Agency for International Development began its democracy initiative. In a much publicized speech he gave that year, the then British foreign minister Douglas Hurd argued bluntly that "poverty does not justify torture, tyranny or economic incompetence." Hurd called for a concerted approach by the major donors, and he announced the establishment of the Westminster Foundation to assist fledgling political parties, an initiative similar to those of the German *Stiftung* and the American National Endowment for Democracy. Hurd set out the new British government position by clearly linking funding decisions to trends in the quality of governance: "Countries which tend towards pluralism, public accountability, respect for the rule of law, human rights, and market principles should be encouraged. Governments which persist in repressive policies, corrupt management, wasteful and discredited economic systems should not expect us to support their folly with scarce aid resources which could be used better elsewhere" (quoted in Gillies 1997, 26).

In 1990, President François Mitterand announced that in future France would be less generous in its aid to "regimes which conduct themselves in an authoritarian manner without accepting evolution towards democracy" (quoted in Gillies 1997, 17). In 1991, Germany introduced a new set of policy guidelines with five funding criteria: respect for human rights, popular participation in the development process, the guarantee of a predictable legal framework, a market-friendly approach to economic development and a commitment to poverty alleviation. The European Commission added a human rights clause to its Lomé Convention, which underpins aid and trade relations with African, Caribbean and Pacific countries.

Nowhere was the emerging early-1990s donor consensus better reflected than in the Development Assistance Committee (DAC) of the OECD. Using some remarkably tough language, the DAC even accepted political conditionality as a legitimate instrument for defending human rights. It declared that while emphasizing a preference for "positive support," DAC member states "also wish to be clear about the potential for negative measures affecting the volume and form of aid, in areas of serious and systematic violations of human rights or brutal reversals from democratization, or when a complete lack of good governance renders efficient and effective aid impossible" (OECD 1993).

In the twenty-first century, the DAC has taken a more balanced approach to the challenges donors face with "difficult partnerships" (OECD 2001). The language on political conditionality has softened — the DAC notes that it works "only where there is internal ownership of the conditionality by reformers who

are in a position to use it to advance their reform programs." This is generally the opposite of the case with "difficult partnerships." Instead, the DAC recognizes that "it is important to support the poor in countries with severe governance problems, including conflict-prone countries." These "difficult partnerships" arise in settings where "development objectives play little role compared with the prolongation of power" and where "genuine participatory development is fundamentally compromised [by]...corruption and political repression [which] are commonly associated with such regimes" (OECD 2001, 4). Recognizing the potential loss of policy influence in ending government-to-government aid, the DAC suggests improved donor coordination, an alignment of all policy instruments (trade, aid, security, investment) and indirect influence on policy reform through internal and external civil society change agents.

Martin Doornbos is one commentator who argues that governance no longer has the primacy it did in the early 1990s as either an operational tool or a policy-making concept for aid donors. And practical observers such as Merilee Grindle have called for more realism and priority-setting — what she terms "good enough governance" — rather than the impossibly sweeping set of governance reforms that some donors look for in countries emerging from conflict or with records as poor performers (2002). In a similar vein, Doornbos concludes that "notions of good governance are likely to remain part of the donor parlance, but with less ambitious anticipation about the scope for intervention and political restructuring that was attached to them earlier" (2003,16).

However, if the assumptions underpinning the G8 Africa Action Plan are anything to go by, donors continue to focus on governance as a tool for policy choice, even if its utility as an operational and programming concept looks less compelling. In that sense, not much has changed since the emergence of the donor democracy and governance agenda in the early 1990s. If anything, the evidence that governance and institutions do matter is now conventional wisdom, not just in donor capitals, but also in increasing numbers of developing countries. This may be linked to two features of international relations in the twenty-first century: "first, democracy's status as the predominant form of political governance within the Westphalia nation-state system; and second, the emergence of an international norm that considers democracy promotion to be an accepted and necessary component of international behaviour" (Schraeder 2003, 22). Aid donors can see their governance and security agendas partly replayed, at least rhetorically, in the African development blueprint for the twenty-first century, the New Partnership for Africa's Development (NEPAD).

At the Kananaskis G8 Summit in 2001, the leaders of eight major industrialized countries met with African leaders and welcomed the NEPAD initiative

as the basis of a new development partnership with Africa. In designing its Africa Action Plan as a response to the NEPAD, the G8 leaders at Kananaskis recognized that the NEPAD "offers something different. It is first and foremost a pledge by African Leaders to the people of Africa to consolidate democracy and sound economic management, and to promote peace, security and people-centred development. They have undertaken to hold each other accountable for its achievement. They have emphasized good governance and human rights as necessary preconditions for Africa's recovery" (G8 2002).

The NEPAD calls ambitiously for an average annual growth rate of 7 percent to be sustained over 15 years as the engine of Africa's economic recovery and suggests that "half or more" of new OECD country aid "could be directed to African countries that govern justly, invest in their own people and promote economic freedom." This starry-eyed optimism aside, a genuinely novel feature of the new social contract between the donor community and Africa is the inclusion under the NEPAD of an African Peer Review Mechanism (APRM) as the modality to influence the volume and direction of significant external aid, investment capital and debt relief through "enhanced partnerships" with countries who are "governancing well." As the G8 Africa Action Plan puts it, "the peer review mechanism will inform our consideration of eligibility for enhanced partnerships. We will each make our own assessments in making these partnership decisions. We will not work with governments which disregard the interests and dignity of their people" (NEPAD 2001).

The essence of the APRM is that those countries that take the mechanism pledge hold each other accountable in achieving norms of good governance and compliance with stated economic policies. Under the mechanism, leaders found in violation of these norms will undergo a process of constructive dialogue with their Africa peers in an effort to put their governance performance back on track. The jury remains out on the prospect of the APRM as a way to embed democratic governance in Africa. While the new democratic administration of Mwai Kibaki in Kenya is the first African government to submit itself to the APRM, there remain considerable political obstacles to overcome in designing by consensus a set of governance criteria that are, in the words of the African architects of NEPAD, consistent with "global standards" of democracy. The special circumstance of Zimbabwe, where an embattled ruling party has weakened democratic institutions in its struggle to dismantle the last vestiges of settler colonialism, is seen by some commentators as a litmus test of the NEPAD in general and of the APRM in particular.

Robert Bates has some persuasive insights on the determinants of Africa's latest wave of democratization and the prospects for democratic consolidation in Africa. He argues that the economic determinants of democracy in Africa do not

include the typical ingredients of growing prosperity, a rising middle class or government concessions to the demands of private agents whose resources they wish to tax. "Africa's path to democracy is not that of the West. Rather, it most closely approximates the path taken by the socialist regimes of Eastern Europe." Bates sees the economic building blocks of democracy as emerging, paradoxically, from the "attempts of revenue-starved fiscs and government creditors to extract political regimes from loss-making policies." In effect, "the economic impetus for political reform originates not from the private economy, but from the needs of the public sector" (1999, 93). This analysis holds out some hope for real or imagined dystopias. African political elites, determined to maintain power at any cost, have constricted the private economy and middle classes and created disequilibria in markets, clientelism, fiscal crises and foreign debt. But these old forms of governance have proved economically unsustainable. As Bates interprets events, in Africa, internal and international pressures for democratic reform have occurred at the nadir of national and pan-African economic history.

No Ironclad Laws: The Ambiguous Research Linking Democracy and Economic Growth

In an early classic of the modernization literature, Seymour Martin Lipset argued that economic development creates a number of the preconditions for democracy. These include increased education, a strong middle class and private organizations (akin to de Tocqueville's voluntary associations and Putnam's social capital). Economic development for Lipset was a necessary, if insufficient, precondition for democracy — it had to be accompanied by the building of political legitimacy (Lipset 1959). In a more recent classic of political sociology, Rueschemeyer, Stephens and Stephens show from detailed historical studies that economic development prompted a shift in the balance of class power from the landed elites to the working and middle classes, leading to democratic outcomes (1992, 74-5). As Barrington Moore's study of political development concluded, "no bourgeois, no democracy" (1966). It is tempting to push the findings of these scholars further and suggest that democracy is a deeply held value that is increasingly sought-after as the education and income levels of populations rise (Feng 2003, 261).

Donor agencies have paid some attention to the empirical relationship between governance and aid effectiveness. The World Bank's study *Assessing Aid* identified and tested the statistical significance of three coefficients for aid, policy and the relationship between aid and policy. It concluded that aid works, but

only in an environment where there are good or enabling policies (Dollar and Collier 1998). The policy implication of this conclusion was that aid should be targeted to good-policy/high-poverty countries, a prescription taken seriously by some donors — such as, arguably, CIDA, in its recent efforts concerning country "concentration." However, donors appear to have paid less attention to the empirical evidence linking democracy and growth in the claims they have made for political aid and good governance. A survey of the empirical evidence suggests that claims that democracy promotion is one of the keys to sustained economic development have somewhat insecure foundations.

The three broad positions describing the linkage between democracy and growth are: win-win, or "virtuous circle"; trade-off, or "cruel choice"; and "no effect." The cruel-choice school says that in modernizing societies, the first order of business is capital accumulation for rapid industrialization. Developmental democracies concerned with the creation of a just social order and a fair distribution of assets are at odds with this priority. Redistributive policies addressing social and economic rights shift public resources and inhibit savings essential for rapid economic growth. The cruel-choice view recognizes that rapid growth will widen inequalities but maintains that these inequalities will diminish over time as the benefits of growth trickle down to the poorest. In this view, the political management of growth must be premised on order, not on democratic participation or human rights.

The virtuous-circle perspective sees democracy and growth as good things that go together. In this view, constitutional limits on power enable citizens to plan their lives, and they also protect citizens against arbitrary or misguided economic policies. A more nuanced argument, based on some empirical evidence, suggests that pressures for democratic development are the outcome of modernization and the market. In South Korea, Taiwan, Indonesia and Thailand, authoritarian governments modernized by opening markets while suppressing labour and wages and muzzling dissent. As living standards improved, the South Koreans, Thais and Taiwanese pressed for rights and democracy and succeeded in opening up their political systems.

The transition to electoral democracy took longer in Indonesia, and it was closely connected with the collapse of Southeast Asian currencies in 1997 and with public fury over the cronyism and corruption of the Suharto regime. The case of Indonesia can in some respects be used to refute the virtuous-circle argument; it underlines the special dangers of situations where the rapid liberalization of the economy occurs within a fossilized and repressive political system.

As Feng points out, one reason Indonesia was particularly hard hit by the 1997 financial crisis was that the opening of the country's financial markets was

not preceded by the development of sound financial institutions (2003, 269). Large capital inflows were inefficiently allocated in a regulatory environment marked by kickbacks, corruption and bribery. The political elites had enormous opportunities to enrich themselves, and officials had considerable discretion to interpret regulations. Feng finds it significant that Indonesia was the only autocracy among the Southeast Asian Tigers at the time of the 1997 financial crisis and its economy was hit hardest by the meltdown. Its economy shrank by 13 percent in 1998, more than any other in the region. In 1999 and 2000, Indonesia's recovery was the slowest (2003, 270).

The modernization theorists informed a long-standing donor preoccupation with economic development. However, the conventional wisdom that growth must precede political development can be challenged both on theoretical grounds and with some empirical evidence. First, regimes that suppress the civil liberties and political rights associated with democracy can pay economic costs. Managing complex modernizing societies requires information, but this commodity is in short supply in authoritarian states. By contrast, freedom of speech, of assembly and of association help keep a government informed. Public participation and scrutiny of state policy may avert planning disasters. Second, regimes that suppress rights can be unstable because they foster apathy and disaffection, which can lead to economic inefficiency. Regimes without legitimacy require repression to rule. And with coercion, additional resources are shifted to maintaining security and may be lost to development.

Property rights, which are fundamental to market-led development, are more secure under democratic than authoritarian regimes. Robert Putnam's classic study of the civic roots of modern Italy underlines the positive impact of high levels of social capital on economic activity and political democracy, and it also shows that the leverage of governments to promote social priorities is much greater where the civic culture is able to play a dynamic role in social change (1993).

However, as a whole, the empirical evidence directly linking democracy and economic growth is ambiguous, at best. There is no ironclad law defining the relationship between democracy and economic growth. Time-series data usually show little or no direct relationship between democracy and growth. The effects, where they are demonstrated, appear to be more subtle and indirect. Kurzman, Werum and Burkhart reviewed 47 quantitative studies and recorded 19 finding a positive relationship between democracy and growth, 6 finding a negative relationship and 10 with no statistically significant relationship. A further 9 studies found a mix of nonsignificant or positive or negative findings, depending on the model used and the cases included. One study reported an inverted-U effect (Kurzman, Werum and Burkhart 2002).

Some authoritarian regimes have been able modernizers, but most have not. The economic record of Third World democracies has been no worse than that of many nondemocratic regimes. Inequalities in democracies such as India have been less acute — or at least more stable — than those found in nondemocratic Third World countries. Contrary to the predictions of the cruel-choice school, one empirical study found a positive correlation among three indices: freedom, per capita product and the physical quality-of-life index (Sieghart 1983). Another found that democratic stability and "civil and political rights cannot prevail if social and economic rights are ignored" (Arat 1988).

The empirical data examining democracy's effect on growth has focused on three ways in which that effect might be transmitted: investment, state spending and social unrest (Przeworski et al. 2000). Investment has been described as the single strongest predictor of economic growth. The cruel-choice school argues that democracies will dare not impose unpopular measures to increase investment. The virtuous-circle perspective holds that investment will grow in democratic societies where there is abundant economic information and property rights secure from arbitrary or unpredictable changes to the rules of the game.

Excessive state spending can act as a brake on growth by reducing national savings and diverting resources into interest payments. Both democracy and authoritarian rule can prompt excessive state spending. In the case of the former, there can be excessive spending on social priorities driven by populism; in the case of the latter, there can be excessive military spending, resulting in large tax burdens.

Social unrest has a negative impact on growth because it disrupts production, which creates disincentives for long-term planning and reduces investment. The cruel-choice school argues that autocratic regimes, such as Brazil in the 1960s, achieve growth by suppressing social unrest, while the virtuous-circle perspective maintains that democracies manage dissent more effectively by channelling grievances through formal political participation and by providing an arena in which mutually beneficial deals can be struck between capital and labour. A more nuanced position between these two poles is the inverted-U position, which argues an indirect effect of democracy on growth that is negative at low levels of democracy and positive at high levels of democracy.

Kurzman, Werum and Burkhart used pooled time-series data to demonstrate that democracy has a marginally significant positive effect on investment, which in turn has a positive effect on growth; that democracy has a negative effect on state spending, which in turn has a negative effect on growth; and that democracy has a robust inverted-U effect on social unrest, which in turn has a negative effect on economic growth (2002). This last finding suggests that the effect of democracy on growth is negative at low levels of democracy, positive at

high levels of democracy and not significant at middle levels of democracy using the Freedom House scales of civil and political liberties.

It is difficult to draw firm conclusions from the empirical literature as to whether political freedom causes economic freedom, whether the causal relationship is the other way around, or whether there is a feedback effect between political and economic freedom. Feng undertook a series of causality tests and achieved results showing that political institutions, by virtue of their relatively permanent nature, influence economic institutions. In effect, political freedom has a causal effect on economic freedom. Importantly, these findings appear to hold irrespective of developed and developing society distinctions, suggesting a similar pattern of causation irrespective of the level of development. Feng boldly concludes that a major policy implication of his findings is the "importance of establishing democracy as the prevailing political order to facilitate...economic development" (2003, 274).

Some Implications for Donor Development Assistance Policies and Programs

As the imagined dystopia of Izania illustrates, political institutions matter, and they can influence economic growth for better or worse. Repression, instability and policy uncertainty powerfully constrain the economic decisions of individuals and firms with negative effects on growth. Political stability, policy certainty and political freedom are the political foundations of sound economic management and have an indirect bearing on the determinants of economic growth, such as inflation, investment, income inequality, human capital formation and property rights. Democracy has a positive *indirect* effect on growth through the predictability of the regular change of government and its positive impact on private investment, education and human capital formation (Feng 2003).

Lessons drawn from the empirical work of Feng and others suggest that developing societies will sustain growth where there is an emphasis on political stability, the enlargement of political and economic freedom, and the creation of a capable and efficient government. While there are potential trade-offs among these foundations for growth, donors are increasingly recognizing that the promotion of representative political institutions and sound administrations are part and parcel of the development puzzle. Governance and democracy promotion have an important role to play in helping developing societies build a political foundation for economic development.

However, while democracy promotion is the focus of this IRPP research project, and while human rights, democracy and governance have an equal claim to validity in the projection of Western values, it is governance that has become the master value for some, if not most, official aid agencies. There are some practical reasons for privileging governance in donor assistance policies and programs. First, regime type is sometimes a poor predictor of economic performance. In Asia, the differences between democracy and dictatorship provide little explanation for successful economic policies. The decisive ingredient of the East Asian miracle seems to have been the quality of economic governance and institutional arrangements. These included a capable, merit-based civil service; effective public-private consultation and collaboration; and, crucially, the effective implementation of policy (Root 1996). Prior to the 1997 financial meltdown, Asian nondemocracies such as Singapore and South Korea had promoted transparency and accountability in economic governance, which enabled information-sharing and consensus-building with private economic actors. By contrast, Asian democracies such as the Philippines and India have long struggled with policy implementation and poor service delivery. The function of governance to frame and implement policies appears to be related to growth and may also be linked to effective poverty reduction in those high-performing Asian economies that succeeded in balancing growth with a degree of equity to lift large numbers of people out of the poverty trap.

Good governance is appropriately emphasized in donor assistance policies because governance interventions can help countries put in place the building blocks for development, such as access to the policy-making process, transparent and predictable regulations, and access to timely economic information. Governance interventions also address the implementation gap and capacity challenges that have bedevilled service delivery in developing countries and reduced the quality of the project-based lending of some international financial institutions.

If the relationship between democracy and economic development is empirically open-ended and indirect, at best, then donors may need to consider how their democracy, rights and governance programs are justified. Instead of an "all good things go together" approach, donors could consider less lofty approaches that focus on the enabling conditions for growth and development. These include promoting accountability, transparency, and a predictable set of rules to govern economic interactions and public policy.

In the absence of a strong empirical basis on which to link democracy to rapid growth, policy-makers may need to look to values claims, to the arguments about policy interdependence associated with globalization and possibly to the security/development nexus to justify their democracy promotion efforts. These

are entirely legitimate foreign policy reasons for Canada to promote what George Perlin has called "the intrinsic worth of liberal democratic values" and to project the national values embedded in the classic formula of "peace, order and good government" (Perlin 2004, 3).

The emphasis in this paper on governance does not detract from our democracy promotion efforts; it simply places that agenda within the development rubric of poverty reduction. As we have noted in the context of Asian high-performance economies, donors could support national efforts to increase the formal and informal systems of accountability and information sharing and consensus building in economic policy-making. Such an initiative could extend beyond the elite business associations or tripartite business-labour-government forums to include support for economic organizations of the poor, such as producer groups, cooperatives, the informal sector and micro-entrepreneurs.

Notes

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Democracy and Peace-Building

Jane Boulden

Summary

Recent events in Iraq highlight the complexity and dilemmas inherent in democratizing processes in postconflict environments. At what point, for example, is it appropriate to undertake elections as part of postconflict peace-building processes? What role can international and outside national actors play without risk of undermining the process? To what degree does the nature of the process affect the likelihood of success?

Implicitly or explicitly, democratization has long been an element in the foreign policies of Western states. In the post-Cold War era, democratization has become part and parcel of peace agreements and postconflict peace-building efforts carried out under the auspices of the United Nations. The increase in the number and scope of democratization processes in the post-Cold War era provides an informational foundation for the re-evaluation of existing theories and experiences. This process has implications for national and international policy as well as for academic thinking.

Often running on parallel tracks, the United Nations and academic and policy practitioners have been readjusting their thinking on the basis of these recent experiences. This paper examines these two areas of recent thinking and activity in democratization. The goal is, in part, to demonstrate the symmetries or the lack thereof in the two tracks. The paper also raises questions that need to be considered as nations such as Canada, as well as the United Nations, continue to be active in democratizing processes.

The paper argues that much more attention needs to be given to the details of the democratization process, in combination with a greater understanding of the time and resource commitments necessary to sustain it. In particular, policymakers should pay increased attention to balancing liberal principles with the principles of the democratic process. This approach should take into account the perceptions of those on the receiving end of the democratization process, and it should be the result of a more direct focus on the question of whether democratic values are values in and of themselves or are a function of successful, primarily Western, liberal-democratic enterprises.

Résumé

L'évolution récente de la situation en Iraq met en relief la complexité des dilemmes qui accompagnent les processus de démocratisation entrepris à la suite d'un conflit. À quel moment, par exemple, convient-il de tenir des élections dans le cadre d'un processus de consolidation de la paix après un conflit ? Quel rôle les instances internationales et les acteurs nationaux étrangers peuvent-ils jouer sans risquer de compromettre ce processus ? Dans quelle mesure la nature même du processus influe-t-elle sur ses perspectives de réussite ?

Il y a longtemps que la démocratisation fait partie, de manière implicite ou explicite, des politiques étrangères des États occidentaux. Depuis la fin de la guerre froide, elle est un élément central des accords de paix et des programmes de consolidation de la paix entrepris sous les auspices des Nations Unies après la fin d'un conflit. La portée de plus en plus vaste et le nombre grandissant des processus de démocratisation lancés au cours de cette période fournissent les éléments d'information nécessaires pour réévaluer les théories et les expériences actuelles. Ces développements ont des incidences sur la formulation de la politique nationale et internationale, de même que sur les analyses universitaires.

Poursuivant des démarches souvent parallèles, les Nations Unies, les chercheurs et les décideurs politiques ont entrepris de réviser leurs analyses à la lumière de l'expérience récente. Jane Boulden examine ces deux éléments de la réflexion et de l'activité en matière de démocratisation dans le but, tout au moins en partie, de déterminer s'il y a ou non des symétries entre eux. Elle relève également certaines questions qu'il convient de se poser alors que les Nations Unies et des pays comme le Canada continuent de jouer un rôle actif dans les processus de démocratisation.

L'auteure avance qu'il faut se pencher beaucoup plus attentivement sur les détails de ce processus et mieux comprendre les engagements en temps et en ressources nécessaires pour le soutenir. En particulier, les décideurs devraient s'employer à assurer un meilleur équilibre entre les principes du libéralisme et ceux de la démocratisation. Cette approche devrait aussi tenir compte des perceptions de ceux qui bénéficieront du processus de démocratisation. Elle devrait enfin être le fruit d'une réflexion plus directe sur la question de savoir si les valeurs démocratiques sont des principes intrinsèques ou si elles découlent plutôt des projets, principalement occidentaux, de démocratie libérale réussis.

Introduction

Early in January 2004, the United States was forced to reconsider its plan for an interim government in Iraq when Iraq's leading Shiite cleric, Grand Ayatollah Ali al-Sistani, criticized the US plan for regional councils as undemocratic. Having gone to war at least in part under the banner of bringing democracy to Iraq, the United States could ill afford to take a stand that would be perceived as undemocratic. The idea of one person, one vote in immediate postwar Iraq, however, was clearly risky for the prospects of internal stability. The United States backed away from its proposal for interim government based on regional councils and turned to the United Nations for assistance in finding a way ahead. A year later, Iraqis in their numbers followed the people of Cambodia, Mozambique, East Timor and many other countries in making their way to the polls in defiance of threats of violence. While widely hailed as an achievement, the elections have prompted a new set of dilemmas such as how to ensure that the deep divisions in Iraqi society are not entrenched as part of the move toward democracy, and how to prevent this initial success from being undermined by ongoing violence. These events illustrate the dilemmas inherent in the emphasis on democracy that has characterized the post-Cold War international arena and its connection to postconflict peace-building.

More than 10 years after the end of the Cold War, the international community's experience with democratization and peace-building is now significant enough to be used as a basis for examining the connection between the two concepts. When and how should democracy be instituted in postconflict peace-building situations? Should democratization necessarily be part of peace-building? If so, what form should it take? What are the policy implications of the answers to these questions? To this point, little attention has been given to the assumptions inherent in the inclusion of democratization in peace processes or to the possibility that its inclusion, or the nature of the democratic model being put forward, will generate negative results.

The idea of democracy as a key element in international affairs is not unique to the post-Cold War environment. The Cold War was, in large measure, an ideological struggle in which the concept of democracy and its associated freedoms was a crucial element for the West. What is new is the hands-on element in international involvement in advocating and implementing democratic reforms in postconflict environments.

The international community, primarily under the auspices of the United Nations, has been dealing with two significant changes in its approach to international peace and security. The first is increased involvement in intra- rather than interstate conflict, and the second is the development of multidimensional

operations in response to conflict situations. The two phenomena are interrelated. As the United Nations became increasingly involved in internal conflict, it also became increasingly involved in overseeing wide-ranging aspects of postconflict recovery such as the disarmament and reintegration of combatants, economic reconstruction, institution-building and democratization. In the first instance this last activity primarily took the form of UN monitoring of elections that were prescribed in the peace agreements established to end the conflicts in question. Over time, the inclusion of democratization as part of the postconflict peace-building process, both as an element of peace agreements and as a component of UN operations, has become almost automatic.

This has occurred with little questioning as to the desirability of the approach or the form that democratization should take, partly because the inclusion of democratization is a function of the peace process. As part of an agreement to bring a conflict to an end, the parties to the conflict tend to agree to elections and democratic governance as a way of breaking with the past and making a new start. For the international community, elections and the establishment of a democratically elected government provide a symbolic end to the conflict and a marker from which to begin shifting the emphasis from conflict resolution to reconstruction, development and withdrawal of whatever military involvement it may have had.[1]

The purpose of this paper is to outline the different trends within academic thinking on democratization as well as what has been occurring through the United Nations. This latter instance takes two forms: the secretary-general's advocacy of democratization, and the actual experience of the United Nations on the ground through its peace operations. This is not meant to be an exhaustive overview. Rather, I seek to document the main trends in thinking on the role of democratization by way of raising questions about current practices. In the concluding section of the paper I will discuss the implications of these different threads of thinking and practice for future efforts at the national and international levels.

The Theory

In the past 30 years the implications and nature of democracy have increasingly become a central issue in a number of subfields of political studies. This discussion focuses on two groups of work. The first can be most easily characterized as the study of democratization as a process in which states move toward or retreat from democracy. The second group of works centres on the implications of democracy and democratization for international relations. The focus of this field of study is the connection between democratic governance and peace.

The third wave and its wake

In 1991 Samuel Huntington argued that a "third wave" of democratization was occurring.[2] This typology was based on the assumption that the first "long" wave of democratization began in the 1820s and lasted until approximately 1922 with the expansion of suffrage in the United States. The second wave began in the aftermath of the Second World War and lasted until the early 1960s. This phase of democratization was primarily driven by decolonization in the Third World. By Huntington's characterization, the third wave began in the mid-1970s with the transition in Portugal, Spain and Greece from military governments or dictatorships to democratic forms of government. In the early and mid-1980s, changes in Pakistan, the Philippines, South Korea and Turkey continued the trend, followed shortly thereafter by the democratization that took hold in Eastern Europe and the newly formed states born from the collapse of the Soviet Union. By virtue of sheer numbers, the third wave represents the largest of them all, adding significantly to the number of case studies that could be used to develop theories about democratization both as an internal process and as a factor in international relations. Indeed, the idea of the third wave was part of a renaissance in democratic studies. This included the ground-breaking work of O'Donnell, Schmitter and Whitehead. Their case studies of states emerging from authoritarian regimes established, for the first time, the various factors that contributed to successful and unsuccessful transitions in forms of government (O'Donnell and Schmitter 1986).[3] Ten to fifteen years on, the experiences of democracies formed in the third wave have provided new data that can be applied to the existing theories. The result has been a surge in new thinking on the role of democracy that has, *inter alia*, raised questions about the process and impact of democratization, especially in postconflict societies.

In a seminal article in the *Journal of Democracy*, Thomas Carothers (2002) calls into question five main assumptions behind the transition paradigm that forms the heart of US policy on democratization: that any country moving away from dictatorial rule is automatically a country in transition toward democracy; that democracy unfolds in a series of stages; that elections have a significant "determinative" impact on the democratization process; that the specific conditions in a given country will not be determinative of the transition process; and that state-building and democratization can occur simultaneously, or that democratization can occur in weak or failing states.

The questioning of these assumptions stems from Carothers' identification of two syndromes in recently democratized states. He terms the first syndrome "feckless pluralism." In this situation, citizens in democratic states have little access to political participation beyond the exercise of their vote. A change in government only brings about a change in the ruling political elite, most of

whom are corrupt and ineffective; one of the results is that governments achieve relatively little in the way of progress in dealing with major domestic problems such as fighting poverty, countering crime or improving public welfare. Carothers' second syndrome, termed "dominant-power politics," describes a scenario in which one political party or grouping dominates the system even while there is more in the way of political competition than there is under feckless pluralism. In these situations there is a "blurring of the line between the state and the ruling party" and the sources of power and money of the state are generally under the control of and used to bolster the party itself (2002, 12).

Common to both these typologies is a sense of stability, or perhaps stagnancy. These states do not appear to be moving forward or backward along a trajectory between democratic and nondemocratic forms of government. Instead they have become self-perpetuating, representing a kind of netherworld that is neither fully democratic nor fully nondemocratic, and exhibit no sign of moving toward one or the other. The implication of Carothers' analysis is to call into question the way in which democracy assistance policy is carried out by most Western states and the assumptions behind that policy.[4]

The Carothers critique was preceded, in 1997, by a similar questioning about what was being sought and achieved in the democratization process. Writing in *Foreign Affairs*, Fareed Zakaria argued that the latest wave of democratization had brought with it a surge not in democracy along the lines of the Western model but in illiberal democracies.[5] Zakaria's argument is based on a differentiation between democracy itself and constitutional liberalism. The latter is theoretically different from democracy, though in the West the two are traditionally linked by virtue of their mutual development over time. According to Zakaria, constitutional liberalism is about the goals of government — the protection of individual liberty through the rule of law — whereas democracy is the process of selecting government. Zakaria's research indicates that most Western democratic states began as liberal autocracies — that is, states where the franchise was initially restricted, evolving over time into what we now consider to be full-fledged liberal democracies. His work demonstrates that states in East Asia have followed a similar route, establishing a path based on constitutional liberalism as a starting point, leading eventually to full liberal democracy. The path does not go in both directions, however. Democracy as a base does not evolve into liberal democracy based on constitutional liberalism. Like those of Carothers, then, Zakaria's observations call for a more nuanced approach to democracy policy. Zakaria argues, for example, that newly democratic governments should be judged according to liberal constitutional criteria, in addition to the conduct of elections, and that there is a need for greater acceptance of the long-term nature of the project.

The idea of a democratic peace

The possibility of a correlation between democracy and peace generated a new focus of interest in academic circles. The idea had been variously suggested prior to the 1980s, but an article by Michael Doyle prompted an extraordinarily active debate on the issue (1983). The democratic peace proposition (often referred to as the DPP) is a contested concept. At its simplest, the DPP holds that states with democratic governments do not go to war with one another. More carefully defined, the proposition suggests that mature or established democratic states do not enter into large-scale, formal wars with one another. Whether this is simply a statistical observation or the basis of a theory with predictive and prescriptive value remains contentious. The number of identifiable democracies has increased the statistical base from which the theory is derived. One of the results of this has been questions about distinguishing between democracies. Evidence from newly established democracies, for example, suggests that during the early phases of democratization "immature" democracies may actually have an increased tendency to go to war. This tendency is said to result from a combination of factors relating to a lack of stable institutions in the wake of the disintegration of institutional structures associated with the previously autocratic state. The lead scholars in this area of research find that "the heightened danger of war grows primarily out of the transition from an autocratic regime to one that is partly democratic" (Mansfield and Snyder 2002, 297).[6]

Within the DPP field, there is a further debate, among those who accept the proposition that democracies tend not to go to war with one another, as to the causal factors in this conclusion.[7] Is it the result of systemic factors, or the nature of democracy itself? If the latter, what particular elements of democratic governments contribute to an absence of war? Doyle, arguably the founder of the debate, based his argument on the role of liberal institutions rather than democracy as such. Doyle argued that the tendency of liberal states to avoid war is a function of liberal principles. The basic premise of liberalism at the international level is derived directly from its domestic base: "Since morally autonomous citizens hold rights to liberty, the states that democratically represent them have the right to exercise political independence. Mutual respect for these rights then becomes the touchstone of international liberal theory." By extension, the resulting "conventions of mutual respect" mean that liberal states have developed cooperative foundations for relations with other liberal states (Doyle 1983, 213).

Others argue that there is a norm of peaceful conflict resolution inherent in the domestic structures of democracy that carries over into relations with other democracies. Still others suggest that it is the nature of the institutions — the checks and balances, accountability and transparency — that make it difficult to

go to war. In addition to uncertainty about causal factors, assuming one accepts that the DPP holds, detractors argue that there are a number of other explanations for the phenomenon that do not necessarily relate to democracy. For example, is it possible that the constraints of the Cold War and the nature of the systemic order of the time provide an explanation for the absence of war between democracies during that time (Farber and Gowa 1999)? Recently the emphasis has shifted toward a focus on other elements in the equation. In *Triangulating Peace*, Bruce Russett and John O'Neal (2001) argue that the combination of democratic governance, adherence to international law and membership in international organizations, and economic interdependence together affirm the DPP.[8] The debate surrounding the DPP — the idea that there is grounds for a theory, and the precise reasons for the proposition — is one of the most active and contentious in academic circles. There are no clear answers, but the mere existence of the debate, and the level of contentiousness surrounding it, reflect the importance now given to the possibility of a connection between democracy and democratization and peace.

Neither should a linkage between democracy and peace at the domestic level be assumed. Yale scholar Amy Chua, for example, draws on the economic side of the Western model to raise questions about the presumed benefits of democratization and free-market values in multi-ethnic societies. She argues that "the global spread of markets and democracy is a principal aggravating cause of group hatred and ethnic violence throughout the non-Western world" (2003, 9).[9]

Throughout the non-Western world, wherever a small "outsider" market-dominant minority enjoys spectacular wealth in the midst of mass destitution, democratization has invariably produced tremendous popular pressures to "take back the nation's wealth" for the benefit of its "true owners" (Chua 2003, 131).

Rather than being conducive to peace, therefore, democratization can contribute to conflict. Like Zakaria, Chua is concerned about the particular model of democracy and free markets being promoted by Western states. This model is based primarily on the system now in place in Western states and is promoted without thought to its implications for societies whose history and current situation are significantly different from those of states in the West. Experience indicates that when the Western free-market democratic model is applied in states where there is a market-dominant ethnic minority, the combination of democratization and opening up of markets creates a situation in which certain minority groups benefit. The resulting disparity of impact in society creates or deepens inherent tensions, contributing to serious problems, including conflict.

The Connection between Democracy and Peace at the United Nations

In a much more ad hoc manner, the idea of a connection between democracy and peace has taken hold within the United Nations Secretariat and among other actors in the UN system. The connection between democracy and peace-building at the United Nations has occurred in two different contexts. The first articulates a theoretical connection between democracy and peace. Two secretaries-general — Boutros Boutros-Ghali and Kofi Annan — have made the case for such a connection, which can also be found in agency documents such as the Human Development Index established by the UN Development Program.[10] The second way in which the democracy-peace connection has become a feature at the United Nations is as a consequence of UN involvement in democracy-related tasks as part of its operations. In the immediate aftermath of the Cold War, the organizaton's involvement in postconflict situations expanded dramatically, as did its involvement in postconflict settlements that entailed elections. The extent of UN involvement has varied with each operation, but it has ranged from complete involvement in Cambodia, where the United Nations supervised and ran elections for the country, to situations in which it simply provides monitors for initial national election processes.

The secretary-general and democracy

On January 31, 1992, flush with the sense of optimism that infused the early years of the post-Cold War era, the UN Security Council met at the level of heads of state for the first time. One of the outcomes of the meeting was a request that the secretary-general prepare a set of recommendations as to how the Organization might address issues of international peace and security in the new era. The result was a report titled *An Agenda for Peace* (United Nations Secretary-General 1992), which put forward a number of proposals for reviving old mechanisms as well as new and innovative ways to deal with conflict and potential conflict. The proposals were based on an assumption that peace is more than the absence of war, specifically identifying the "deepest causes of conflict" as "economic despair, social injustice and political oppression" (para. 15).

Later that year, the UN General Assembly passed a resolution requesting the secretary-general to prepare an "agenda for development."[11] The phrase and the request were drawn from the secretary-general's annual report on the work of the United Nations, which called for an integrated or holistic approach to development, to be made possible by a strengthened United Nations (Boutros-Ghali

1992, para. 105). The secretary-general's resulting report, *An Agenda for Development* (Boutros-Ghali 1994), established a direct link between development and democracy. It suggests that the relationship between democracy, development and peace is a mutually reinforcing one: "Social stability, needed for productive growth, is nurtured by conditions in which people can readily express their will...The existence of widespread absolute poverty inhibits the full and effective enjoyment of human rights and renders democracy and popular participation fragile" (para. 28-29).

In December 1996, Secretary-General Boutros-Ghali published a report titled *An Agenda for Democratization* (1996) "in the hope that it may deepen understanding of United Nations efforts in favour of democratization and intensify debate on future international action in this area" (para. 8). Building on the linkage established by the first two reports, here the secretary-general makes the case for a tripartite link between peace, development and democracy. This argument is based on the need for accountability and compromise that is part of the democratic process:

> *Democratic institutions and processes channel competing interests into arenas of discourse and provide means of compromise...thereby minimizing the risk that differences or disputes will erupt into armed conflict or confrontation. Because democratic Governments are freely chosen by their citizens and held accountable through periodic and genuine elections...they are more likely to promote and respect the rule of law, respect individual and minority rights, cope effectively with social conflict, absorb migrant populations and respond to the needs of marginalized groups. (para. 17)*

Accountability and transparency of democratic governments are said to contribute to peace between states by generating caution and restraint within democratic governments, who must answer to citizens for their actions (para. 18). Those same democratic features are said to contribute to a context that favours development. The secretary-general argues this first in the negative by stating that nondemocratic states "tend to generate conditions inimical to development." In particular, nondemocratic states do not allow public pressures for development to be addressed with "popular unrest and instability" as a result (para. 25). But he also makes the argument in the positive: "The reality is that no State can long remain just or free — and thus have the potential to pursue a successful and sustainable development strategy — if its citizens are prohibited from participating actively and substantially in its political processes and economic, social and cultural development" (para. 25).

By 1996, when *An Agenda for Democratization* was issued, the United Nations had already been involved in a wide variety of national elections and other democratization tasks. The assumption that the United Nations' role in democratization should be deepened or expanded, however, was contentious.

There is a progression here that is worth noting. The Security Council requested *An Agenda for Peace* and the General Assembly *An Agenda for Development*, while the secretary-general "offered" *An Agenda for Democratization*. The different origins of the reports reflect a division of labour as well as a decrease in the level of optimism about the United Nations' ability to pursue such broad goals as it became bogged down in Bosnia and retreated from Somalia. But they are also an indication of a declining sense of appropriateness in terms of addressing the issues, especially with respect to democracy. While peace and development are clearly within the mandate of the United Nations and are accepted as desirable goals, the promotion of democracy raises warning flags for a large number of states, some of them democratic. The idea that the United Nations should promote a particular form of government connotes an organization that is encroaching on domestic affairs in a way that is unacceptable to many. The choice of title — "an agenda for democratization" rather than "an agenda for democracy" — itself is an indication of the political sensitivity surrounding the issue. In *An Agenda for Democratization* the secretary-general goes to great lengths to dispel these fears, noting at the outset that:

> *To address the subjects of democratization and democracy does not imply a change in the respect that the United Nations vows for the sovereignty of States or in the principle of non-intervention in internal affairs set out in Article 2(7) of the Charter of the United Nations (para. 8).*
>
> *The United Nations is, by design and definition, universal and impartial. While democratization is a new force in world affairs, and while democracy can and should be assimilated by all cultures and traditions, it is not for the United Nations to offer a model of democratization or democracy or to promote democracy in a specific case. (para. 10)*

There is, arguably, something of a contradiction inherent in these statements, especially given that their source is the secretary-general of the United Nations. On the one hand the United Nations is impartial, yet on the other hand it argues that the principles of democracy should be assimilated by all. The secretary-general goes on to argue that there is a direct relationship between democratization and peace, citing a "deeper truth: democracy contributes to preserving peace and security, securing justice and human rights, and promoting

economic and social development" (para. 16). Given that promoting and ensuring peace is the primary mandate of the United Nations, this connection between democracy and peace further entrenches the idea that the United Nations should promote democracy, in spite of the secretary-general's caveats.

The concepts of democracy and democratization are defined at the beginning of the report:

> *Democratization is a process which leads to a more open, more participatory, less authoritarian society. Democracy is a system of government which embodies, in a variety of institutions and mechanisms, the ideal of political power based on the will of the people. (para. 1)*

Note that democratization is defined in the negative — that is, it is framed as a process that moves away from negative situations, rather than toward something. This definition carries with it an assumption that we are all moving along a given path to an agreed target; it is just that some of us are further along than others. Inherent in the discourse of the secretary-general's report is an assumption that permeates a great deal of the academic literature: the idea of democracy as a universal value — not as one choice of many as a form of government, or as a Western construct that could be applied to other parts of the world.

Boutros Boutros-Ghali's successor, Kofi Annan, took up the cause begun by his predecessor and has pursued it with more vigour and with far less hesitation about its importance as a universal value that must be upheld by the United Nations. Much of Annan's argument is based on individual freedoms as a foundation. In his December 2001 Nobel Prize acceptance speech, Annan argued that the way ahead must be based on an acceptance of the individual as the central actor in peace and that this "vision" dictates three priorities for the United Nations: "eradicating poverty, preventing conflict and promoting democracy" (United Nations 2001b).

In later speeches Annan affirmed and expanded on this theme while also sounding warnings about inherent dangers to democracy and democratization. In particular he echoed Carothers' analysis and warned of the need to avoid "fig-leaf democracy": democracy in name only, where effectively authoritarian rulers maintain power under cover of elections (feckless pluralism, in Carothers' terms).[12]

Speaking at the University of Oxford in June 2001, Annan argued that democracy is intimately connected to efforts to deal with conflict, because "at the centre of virtually every civil conflict is the issue of the state and its power — who controls it, and how it is used." The United Nations, therefore, often finds itself in postconflict situations in which it is helping to design a constitutional framework as well as promoting

elections. In this respect Annan suggested that there is a need to be cautious about majority-rule systems, proposing that arrangements that mix an electoral system with institutionalized power-sharing are useful in postconflict situations because they guarantee minority rights and reflect a "broader understanding" that "democracy does not mean allowing the majority to crush the minority" (United Nations 2001a).

This conceptualization is in keeping with the secretary-general's response to the outcomes of UN interventions in Rwanda and Bosnia. The genocide in Rwanda and similar events in Srebrenica prompted the secretary-general to argue that states should no longer be able to use state sovereignty as a shield behind which to persecute their own people. The secretary-general's response reflected the development of a new conception of security called human security. The Canadian government has taken the lead in developing the concept of human security. Human security is based on the idea that state and international security should be connected to the security of the individual. Like the secretary-general's argument for democratization, the concept of human security draws on a liberal base, the idea of the individual and individual freedoms at its foundation, from which flow other parameters — security, democracy.

A Canadian-sponsored international commission took up the question of sovereignty and intervention in the wake of the genocide in Rwanda. The resulting report, *The Responsibility to Protect*, argues that state sovereignty entails responsibility for the protection of people within the state. But the commission is much more conservative than the secretary-general regarding the role of the international community in democratization, in spite of the fact that its basic argument lays the groundwork for advocating democratization. The commission argues that when a state fails to fulfill its responsibility for the protection of its people, the international community has a responsibility to protect those people (International Commission on Intervention and State Sovereignty 2001). That responsibility has three elements: to prevent, to react and to rebuild. With respect to prevention, the commission discusses the need to address the root causes of conflict, suggesting that at the political level this "*might* involve democratic institutions and capacity building" (para. 3.21; emphasis added). With respect to responsibility to react, the commission specifically excludes intervention in situations where a population has been denied its democratic rights by a military overthrow of the government, except in situations where large-scale loss of life or ethnic cleansing may be threatened or occurring (para. 4.27). In the aftermath of intervention, when the responsibility to rebuild kicks in, the commission argues, the aim is to ensure "local ownership," and this should involve developing a political process in which former antagonists can cooperate; it should not involve advocating anything specific in the way of a system of government.

Intervening to protect human beings must not be tainted by any suspicion that it represents a form of neocolonial imperialism. On the contrary, the responsibility to rebuild, which derives from the responsibility to react, must be directed toward returning the society in question to those who live in it, and who, in the last instance, must take responsibility together for its destiny (para. 5.31).

Nonetheless the commission does note that occupation after intervention should involve the restoration of "a measure of good governance" and that the interveners may "better accustom the population to democratic institutions and processes if these had previously been missing from their country" (para. 5.25).

The United Nations and democracy in practice

United Nations support for electoral processes is itself not unique to the post-Cold War environment, but there is little question that the end of the Cold War brought with it a tremendous upsurge in requests to the United Nations for such assistance. These requests were often part and parcel of a broader UN role in overseeing postconflict peace processes. The end of the Cold War opened up the possibility of a resolution for a number of internal conflicts that had been left unaddressed as a consequence of superpower rivalry. The peace agreements that brought those conflicts to an end almost invariably involved elections as part of the peace package and a role for the United Nations as observer of the entire process. The United Nations, therefore, experienced two new phenomena in the aftermath of the Cold War. The first was the willingness of the Security Council to engage the Organization in intrastate rather than just interstate conflict. The result was the development of the second phenomenon: a shift in the nature of UN operations, extending beyond traditional peacekeeping to multidimensional operations that oversaw postconflict transitions.[13] The UN tasks in these operations tended to include disarmament, demobilization and reintegration of combatants, and the creation or reconfiguration of police and other domestic institutions as well as elections.

For the most part, the UN role in elections has been one of monitoring and observing the process and providing "technical" advice as required. There has been the odd exception, however, most notably in Cambodia, where the United Nations ran democratic nation-wide elections as part of its transitional assistance operation. As part of the Paris Accords, which established the terms of the settlement and the transition, the parties to the conflict agreed to confer on the United Nations "all powers necessary to ensure the implementation" of the settlement. With respect to the election process, the United Nations assisted in drafting electoral law, ran a massive civic program to educate the public in the principles of elections and voting, trained local staff, undertook the registration of official parties and voters, and supervised the polling. The result stands today as one of the

United Nations' most significant success stories in peace processes. Ninety percent of registered Cambodian voters turned out to vote, in spite of the threat of violence from the Khmer Rouge and from land mines as they made their way to the polls. There have been other successes — in Namibia, Mozambique and El Salvador, for example — where the United Nations has overseen (rather than run) successful election processes as part of a larger postconflict peace process.

The successes stand in sharp contrast to some notable failures. In Angola, successfully run elections in 1992 came to naught when Savimbi's group, the Union for the Total Independence of Angola (UNITA), refused to accept the results and returned the country to another decade of civil war. In Liberia, the advent of democracy saw the election in 1997 of Charles Taylor, a rebel leader with a brutal record who was indicted for war crimes in Sierra Leone; in 2003 a new civil war brought about his ouster and another UN intervention.[11] And in Haiti in 2004, President Aristide, who had been reinstated by a United Nations-authorized operation in 1994, was pushed from power by rebel groups and internal instability. In each of these cases, it is not the elections themselves that stand as successes or failures, but the broader peace process. Elections act as a functional indication of a milestone in the peace process, providing the international community with evidence of change. They are not, however, reliable indicators of real progress, in either democratization or the establishment of peace.

The UN experience in these cases reveals an inherent dilemma. To what extent does the United Nations, as a monitor of the peace process, bear responsibility for a situation when the process goes wrong and there is a return to conflict? To what extent, even when peace processes are successful in their early stages, is it responsible for ensuring longer-term success? As with other elements of the peace process, the fact that the United Nations keeps its distance and acts as a monitor of terms agreed by the parties means that in some situations it may be monitoring, and by extension giving its implicit approval to, an agreement whose terms are counter-productive to long-term peace.

All of this reveals the problematic nature of the connection between democratization and peace-building, and reveals that the literature and the United Nations itself have only just begun to grasp and examine the inherent dilemmas.

The United Nations now has significant experience in this field. And yet its post-operation assessment and learning procedures remain minimal. A lessons-learned process is in place (recently renamed "best practices"), but the primary focus within the Secretariat and the Security Council tends to be on addressing issues such as how to get there faster, how to ensure troops and observers are well equipped, and how to coordinate more effectively with agencies and organizations. An evaluation of past experience, with a view to

determining how peace processes and external involvement in them might be reconfigured for greater potential of success, has not yet taken place. A failure to carry out such an evaluation will contribute to the undermining of an organization whose legitimacy is already in question.

Similarly, in its debate on the nature of democratization and the connection between democracy and peace, the academic literature has begun to raise questions. The work of Carothers, Chua and Zakaria represents an important first step in matching concepts with the situation on the ground. From the perspective of the link between democracy and peace-building, however, the debate has only just begun.

Conclusions

The foregoing is very much an overview. The literature on democracy and democratization is as extensive as it is rich. This paper was intended to provide a sampling of the nature of the debates on these issues and their main themes, along with current thinking at the United Nations. And, because the various subfields of the discussion, as well as the practical expression of these principles through the United Nations, so often function in isolation from one another, this paper was also intended to lay out the different streams of thought and practice in order to determine common themes or dissonant views, as a way of raising questions about the way ahead.

The starting point of the analysis matters at both the theoretical and practical levels. The DPP discussion is about the impact of domestic systems on interstate relations, while the debate on the nature of democratic systems and how states move toward that end is about systems of government within states. The primary concern of the United Nations is international peace and security. Traditionally, or at least in the origins of the organization, this was considered to be about relations between states, whatever their nature internally. The nature of post-Cold War conflict, however, along with the organization's own changing conception of what international peace and security entails, has drawn it inexorably into the realm of internal state politics. It is here, therefore, that the internal (intrastate) and external (interstate and systemic) aspects of the analysis are drawn together. Ironically, it is also here that great effort is being made to keep them apart.

There is a certain level of disingenuousness in statements that refrain from advocating democracy as a system of government by arguing that such decisions must be left to the people in question. More clearly articulated, the argument is that people in a given state or society should be "free" to choose their form of government. How individuals can be free to do so in the absence of democratically based structures is left unaddressed. In the context of democratization that

is a function of some form of intervention, either by the United Nations or by some state or group of states, the unwillingness to be specific is driven by an understandable concern that there should be no imposition of a system from outside. As a consequence, the emphasis is on the liberal element of the liberal-democratic equation. And the implication of the argument is that liberal values, particularly individual freedoms, are the base from which democracy might flow. What is unclear, however, is whether the argument is based on principles and experience or is driven by the need to avoid advocacy.

The distinction between liberal and democratic values is the strongest theme that emerges in the various theories and experiences discussed above. Indeed, I would argue that the primary conclusion of the preceding overview is the need to make a distinction between liberal and democratic values when considering the role of democratization in peace-building. Why does the distinction matter? With respect to peace-building it matters because it forces us to ask questions about what we emphasize as founding principles and what methods to use when engaging in postconflict situations. It may be, for example, that our instinctual view that democratization is necessarily a good thing, and should be undertaken as soon as possible in the peace-building process, may not be appropriate in all situations. Perhaps we should be giving more emphasis to liberal values relating to individual freedoms and the rule of law in the initial phases of postconflict recovery.[15] Greater care must also be given to understanding how these mechanisms are designed, so that they counteract rather than exacerbate ethnic or other conflict-prone divisions in society. The foregoing does not provide any clear guidance on specific choices, but it does indicate that it is important, even critical, for us to engage in new thinking and research on the role and sequencing of both democratic and liberal values in postconflict situations.

The second conclusion is a practical one. Individual states and the United Nations both need to develop better, more nuanced, understandings of the process of democratization and its impact on postconflict societies. And they need to build those nuanced understandings into policy so that governments and the United Nations alike are able to tailor their efforts to each situation.

The advent of peace-building as an international activity, both under UN auspices and outside the organization, has brought a recognition that peace-building, like sovereignty, involves responsibility. With that recognition has come an understanding of the interconnectedness of democracy, development and peace. The increase in the scale and scope of state and international involvement in peace-building in the aftermath of the Cold War has generated a steep learning curve. We have discovered that peace-building in the wake of peacekeeping and peace-support operations is vital and requires a long-term commitment. We now know that elections do not equal democracy, and that initially successful

elections are not a guarantee of peace in either the short or the long term. The United Nations' own process of debate, as indicated in the three "Agenda" reports and the increasingly definitive views expressed by the secretary-general, is evidence of both the learning curve and the extent to which there is now broad acceptance of the notion that peace-building entails and must recognize the inextricable interconnectedness of democracy, development and peace.

The idea that outside actors should advocate for particular ways of doing things within a state raises questions, by those on the receiving end, about the true intentions of the interveners. In addition to determining the balance between liberal and democratic values in pursuing peace-building tasks, therefore, new thinking and research should address the rationale behind our advocacy of democratization and liberalization. There is an inherent tension, in each of the theories and debates discussed here, between democracy as a value in and of itself and democracy as a particular form of government most closely identified with Western states. For both the United Nations and Western states, a sharper focus on democratization has come in the context of a stronger linkage between peace and security and democracy. For the United Nations, this has transpired in the context of greater involvement in peace-building within states. For the United States and other Western countries, including Canada, the connection is made through increased attention to the concept of weak and failing states, intensified by the events of 9/11 and, for the United States, now crystallized in the depth of its involvement in Iraq. In all cases, the "securitization" of democracy policy accentuates the inherent tension. For those on the receiving end, it is inherently difficult to distinguish between attempts to remake institutions and processes in the image of the intervener and altruistic attempts to provide access to systems of government based on universal values. In truth, every effort contains an element of each motivation, but the development of more effective, carefully crafted policies and efforts must have an awareness of this tension built into the equation.

In many ways, the debate and the learning process outlined in this paper have only just begun. That is a remarkable statement in itself given the wealth of experience now behind us, not just in the post-Cold War context but in the lengthy "waves" of democracy and liberal principles associated with a number of states. One of the most important lessons of Zakaria's analysis is that we need to beware of using the existing liberal-democratic product as the model and to give greater attention to the process that produced it. By extension, we need to take into account the temporal aspects of democratization and peace. As is evidenced by this overview, the learning curve may be erratic and occasionally steep, but with patience and greater attention to the complexity and specificity of the issues it will become less so.

Notes

1 For an excellent discussion of these factors, see Lyons (2002).

2 See also a summary reprint in Diamond and Plattner (1996, 3-25).

3 O'Donnell, Schmitter, and Whitehead edited four volumes covering different aspects of and different case studies from O'Donnell and Schmitter's (1986) *Transitions from Authoritarian Rule*. (All are published by Johns Hopkins University Press.) See also the earlier study edited by Linz and Stepan (1978), which draws on European and South American cases.

4 See some of the responses to the Carothers article disputing this conclusion in *Journal of Democracy* 13, no 3 (July) 2002.

5 He later elaborated on this thesis in a book (Zakaria 2003).

6 See also their earlier work (Mansfield and Snyder 1999).

7 An excellent overview of the debate, with reproductions of the seminal articles, can be found in Brown, Lynn-Jones, and Miller (1999).

8 For an excellent discussion complete with relatively recent case studies, see MacMillan (2004).

9 Chua's case studies include examples from every region.

10 See, for example, United Nations Development Program (2002, 2004).

11 A/RES/47/181, December 22, 1992.

12 See, for example, his address to the international conference "Towards a Community of Democracies" (United Nations 2000).

13 Sometimes called second-generation peacekeeping.

14 The Charles Taylor example perfectly illustrates one of the inherent problems in democratic elections: What do you do when the population elects a fundamentally undemocratic leader?

15 For example, Zakaria found that the strongest characteristic of the Western liberal-democratic model was an impartial judge. The development of a strong judicial system may be more important in the early stages, therefore, than a full-fledged democratically elected government.

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